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Utility-Based Computing for Small Businesses

By Kevin Savetz
August 7, 2003

Imagine this: your ten employees are working away at their PCs, using Microsoft Excel, doing inventory control, or managing the books. But the applications they are using aren't installed on those PCs, or even on an on-site server. In fact, each of those machines is only running a Web browser. Those applications and the computers they run on are someone else's responsibility.

That is the promise of utility-based computing, a concept that lets your business' software, storage, and processing reside on a server farm somewhere out in the Internet. Your PC acts as a terminal: a screen, keyboard, and mouse connected to a powerful computer that's miles away. Because the applications are delivered over the Internet, they can be accessed from anywhere, such as a satellite office, home office, or mobile laptop.

The most intriguing aspect of utility-based computing is perhaps this: because you don't have to buy software licenses, your business can adjust the number of seats with access to each application as needed. If a short-term endeavor means 50 employees will need access to

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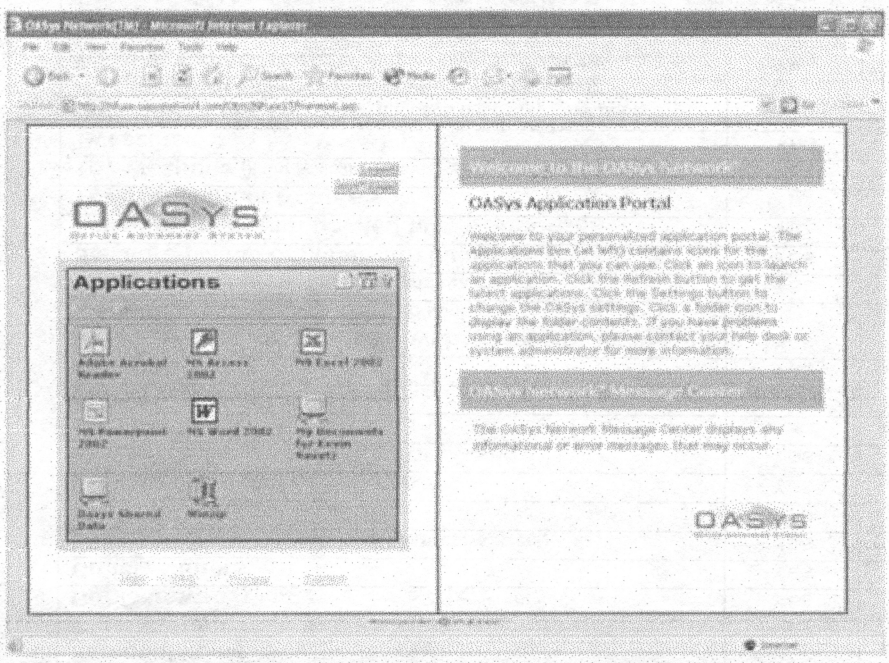
"The utility idea is a metaphor for letting people run their business rather than running their IT," said Mike Riegel, global marketing executive for IBM's utility computing group. Like an electrical socket, "I just plug into the wall and get it. If I need more, I get more and I pay for more."

"The utility-based computing concept resonates particularly well for SMB customers," Riegel said. Small businesses typically "don't have a large enough IT shop to build complex systems like accounting or CRM. Small business customers see it as a way of getting capabilities that couldn't get otherwise."

The applications that are available to you depend what your service provider offers. Hosted applications currently offered by IBM are Onyx, customer relationship management software; Intacct, accounting software; Hrsmart, recruiting and applicant tracking software; and Employease, human resources management software. IBM plans to announce utility-based application suites that are tied to specific industries, including anti-money laundering software for banks, and digital media content management and storage for entertainment companies.

Aztec Systems, a provider of utility computing services, offers the Microsoft Office application suite. In addition to the applications offered by the service provider, you may be able to add other software, such as custom or commercial applications, into the mix. Send a program CD to Aztec, and they'll install and configure it for a $200 one-time fee plus $10 per month.

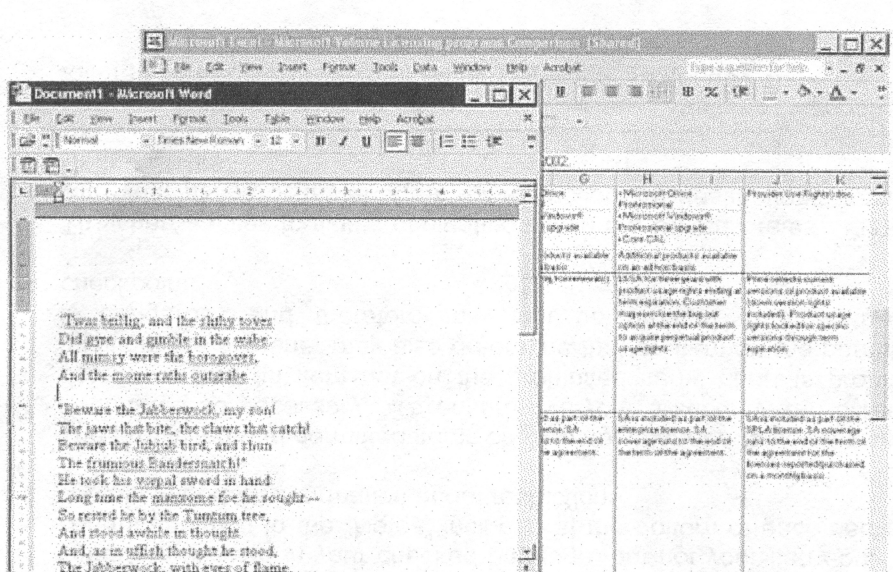


Choosing which application to run using OAsys, the backend used by Aztec Systems.

Who is utility-based computing for? "This is an architecture that makes sense for companies that have in excess of five users and less than about 150," said Andrew Levi, President of Aztec Systems. "And it makes significant sense if you have multiple offices." Real estate and medical offices are particularly well-suited for utility-based computing, with "a small number of users in a lot of locations that roll up into a single enterprise footprint," he said.

The fees for hosted applications are typically on a per seat, per month fee. At Aztec, *the base* system costs $115 per month per user, which gets you the entire Microsoft Office suite, Microsoft Exchange, file and data storage, and nightly backup with unlimited restores. The fees for IBM's

hosted applications are similar. Onyx, the CRM software, is available for $175 per user per month, plus an up-front deployment fee. Riegel says that the cost is 30 to 50 percent less than if a company were to implement the software itself.


Document1 - Microsoft Word
'Twas brillig, and the slithy toves
Did gyre and gimble in the wabe:
All mimsy were the borogoves,
And the mome raths outgrabe.
"Beware the Jabberwock, my son!
The jaws that bite, the claws that catch!
Beware the Jubjub bird, and shun
The frumious Bandersnatch!"
He took his vorpal sword in hand:
Long time the manxome foe he sought --
So rested he by the Tumtum tree,
And stood awhile in thought.
And, as in uffish thought he stood,
The Jabberwock, with eyes of flame,
Came whiffling through the tulgey wood,
And burbled as it came!
Running Microsoft Word and Excel, which aren't installed on the local PC.

"Half of the TCO [total cost of ownershi] is the delivery side — installation, upgrades, support center events," Aztec's Levi said. Publishers like this model, too, because "the licensing holds the service provider accountable for the number of seats that exist. The publisher is guaranteed that they get paid every time someone uses their software," he said.

Utility computing could be of particular interest to businesses with heavy seasonal fluctuations. Because you can change the number of seats that have access to a particular piece of software at any time, you could, for instance, double the number of employees with access when holiday sales start to pour in, then cut the number of seats again when activity dies down. "It allows them to match their cost structure with their business revenue structure," Riegel said.

Because the majority of the workload is done elsewhere, the PCs used as utility computing clients don't need much power or storage space. Any PC that can run a Web browser should do the trick. But you will need sufficient bandwidth, because utility computing clients need to receive applications' screen images in real time. More simultaneous clients mean higher bandwidth use.

Kevin Savetz has been a freelance technology writer for a decade. Savetz's knowledge of small business technology has been published by The Washington Post, Computer Shopper, and The Rotarian. He maintains Kevin Savetz' Guide To Buying a Ridiculously Cheap PC.

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